

Congress of the United States

Washington, DC 20515

April 15, 2002

BY FACSIMILE

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The Honorable Paul H. O'Neill
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Mark Weinberger
Assistant Secretary for Tax Policy
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Secretary O'Neill, Secretary Weinberger and Commissioner Rossotti:

The publication last Friday of Revenue Procedure 2002-28 on cash accounting methods for small business taxpayers is again welcome news. We congratulate you on this important improvement to the tax rules and applaud your commitment to easing the tax compliance burdens on America's small enterprises.

For us, the new accounting rules are especially gratifying since we have sponsored the Cash Accounting for Small Business Act of 2001 (S. 336 and H.R. 656) in this Congress to increase the cash-accounting safe harbor beyond the previous \$1 million level. More importantly, for more than half a million small enterprises, the Revenue Procedure will mean significant tax simplification. Qualifying businesses will no longer have to struggle with the complexities of inventory and accrual accounting or have to hire a costly accountant to handle such matters. Similarly, the Internal Revenue Service will be able to free valuable resources to focus on more pressing compliance issues.

While the Revenue Procedure continues to allow most small business service providers with average gross receipts of \$10 million or less to use the cash method of accounting, we were particularly pleased by the efforts you made to address the concerns raised by many of the small businesses and trade associations during the comment period on the initial guidance. It is our hope that these improvements will eliminate many of the questions that have arisen in this area.

With the cash-accounting rules now finalized in Revenue Procedure 2002-28, we again urge you to make these rules a truly permanent fixture of the tax law by incorporating them into a formal regulation. While we understand there are numerous revenue procedures that have been in effect for many years, nothing prevents a subsequent administration from changing or even withdrawing a revenue procedure in the future. Since the accounting method is a fundamental

The Honorable Paul H. O'Neill
The Honorable Mark Weinberger
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Page 2

aspect of a business' operations, a taxpayer needs assurance that the rules governing that accounting method will be consistently available. A formal regulation would provide the permanence that these rules deserve.

Again, thank you for undertaking this significant initiative for small businesses. It is an outstanding reflection of the Administration's dedication to addressing the needs and concerns of small businesses and entrepreneurs in America.

Sincerely,



Christopher S. Bond
Ranking Member
Senate Committee on Small Business
and Entrepreneurship



Wally Herger
Chairman
House Committee on Ways and Means
Subcommittee on Human Resources